[JOINT COMMITTEE PRINT]

COMPARISON OF PRESENT LAW WITH ALTERNATIVE CAPITAL COST RECOVERY PROPOSALS

Prepared by the Staff of the
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A. COMPARISON OF PRESENT LAW WITH ALTERNATIVE CAPITAL COST RECOVERY PROPOSALS

Item	Present Law	H.R. 3849 (Administration Bill) [H.R. 1053—Messrs. Jones and Conable][1]	Simplified Cost Recovery System (2-4-7-10) [2]	H.R. 3443—Mr. Shannon (First-Year Recovery System) [H.R. 3500—Mr. Heftel] [3]
1. Underlying concept	Designed to allocate depreciation deductions over the period the asset is used in business so that deductions for the cost of an asset are matched with the income produced by the asset.	Cost of an asset is recovered over a short, predetermined period unrelated to the useful life of the asset or the period the asset is used to produce income.	Cost of personal property is recovered over a predetermined period at least 40 percent shorter than its present useful life. Cost of real property may be recovered over optional audit-proof lives that are shorter than present law lives.	Cost of personal property is recovered as a single deduction in the year the property is placed in service (first-year allowance). First-year allowance is in lieu of all future depreciation deductions and the regular investment credit. Cost of real property is recovered over shortened lives.
2. Eligible property	Assets used in a trade or business or for the production of income are depreciable if they are subject to wear and tear, decay or decline from natural causes, or obsolescence. Assets that do not decline in value on a predictable basis or that do not have a determinable useful life, such as land, goodwill, and stock, are not depreciable.	Most tangible depreciable property (real and personal) other than— (1) Property not depreciated in terms of years (except certain railroad property); (2) Property amortized (e.g., leasehold improvements). [(3) Residential rental property], and [(4) Certain railroad property.][4]	Most tangible depreciable property (real and personal) other than— (1) Property not depreciated in terms of years (including certain railroad property); (2) Property amortized (e.g., leasehold improvements); (3) Public utility property; (4) Oil or gas fired boilers; (5) Property used predominantly outside the U.S.; and (6) Certain livestock.[4]	Most tangible depreciable property (real and personal) other than— (1) Property not depreciated in terms of years (including certain railroad property); (2) Property amortized (e.g., leasehold improvements); (3) Oil or gas fired boilers; (4) Property used predominantly outside the U.S.; (5) Certain livestock; (6) Property owned by certain noncorporate lessors; (7) Property disposed of within 1 year after date property placed in service; and (8) Long-lived public utility property.[4]

[1] Bracketed material indicates the provisions of H.R. 1053 that differ from the Administration bill.

[2] The Simplified Cost Recovery System was part of a bill reported by the Senate Finance Committee in the 96th Congress (H.R. 5829, S. Rep. No. 96-940).

[3] Bracketed material indicates provisions of H.R. 3500 that differ from H.R. 3443.

[4] Ineligible property generally remains under present law.

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3. Useful lives (recovery periods) and methods				
a. Personal property				
Useful lives (recovery periods)	Under the ADR system, the Treasury, on the basis of actual industry experience, specifies a midpoint life for equipment used in most industries. Taxpayers may elect lives 20 percent longer or shorter than the midpoint life. ADR midpoint lives for equipment range from 2.5 years for certain special manufacturing tools to 50 years for certain public utility equipment.[5]	3 years—Autos, light-duty trucks, R&D equipment and personal property with an ADR midpoint life of 4 years or less. [Autos and light-duty trucks only; limited to $100,000 of property per year]. 5 years—Most other equipment except long-lived public utility property. [Includes long-lived public utility property]. 10 years—Long-lived utility property and real property with an ADR lower limit life of 10 years or less (e.g., theme park structures). *Special rule.*—Taxpayers may elect to use a 5-year period for 3-year property, a 12-year period for 5-year property, or a 25-year period for 10-year property.	Property is placed in highest class (2, 4, 7, or 10) with a recovery period at least 40 percent shorter than present ADR midpoint life. This would result in classifying assets based on the table below. *ADR midpoint [4] (years)* — *Recovery period (years)* 6.5 or less — 2 7.0 to 11.5 — 4 12 to 16.5 — 7 More than 16.5 — 10 *Special rule.*—Public utility property remains under present law but ADR variance is increased to 30%.	Entire cost recovery deduction must be taken in the year property is placed in service. The percentage of cost allowed as a first-year deduction is set forth in the table below. Because the first-year deduction includes a deduction in lieu of the regular investment credit, the first-year deduction for property not eligible for the regular investment credit would be less than the regular first-year deduction as shown by the amounts in parentheses. *ADR midpoint (years)* [5] — *1st year allowance (%)* *H.R. 3443:* 1. Less than 4 — 98.5 (91.3) 2. 4 to 8 — 97.3 (79.5) 3. 8.5 to 14 — 94.8 (73.1) 4. More than 14 — 92.7 (71.0) *H.R. 3500:* 1. Less than 4.5 — 100 (90) 2. 4.5 to 10 — 95 (75) More than 10 — 90 (70) *Special rule.*—Long-lived public utility property (including regulated oil pipeline property) remains under present law, but ADR variance increased to 30%.
Method	*New property*—election to use straight-line, up to 200% declining balance, or sum of the years-digits (SYD) methods. *Used property*—election to use up to the 150% declining balance or straight-line methods.[6]	Option of straight-line or prescribed method equivalent to: 1981–84 — 150% declining balance changing to straight-line. 1985 — 175% declining balance, changing to SYD. 1986 — 200% declining balance, changing to SYD.	Annual election of 200%, 150%, or 100% declining balance method.	First year deduction is set at an amount that is less than expensing and that yields an approximately uniform effective tax rate of 15 percent. [Expensing (a zero effective tax rate) for short-lived property; for other property, an amount yielding an approximately uniform effective tax rate of 20 percent].

[5] A cross-section of ADR lives is set forth in Table 1, p. 13. A full list of present ADR lives is set forth in appendix A of Part II of the staff pamphlet "Proposed Depreciation and Investment Credit Revisions" (JCS–20–81).

[6] Straight-line allows equal annual deductions over useful life; accelerated methods, such as declining balance and sum of the years-digits, allow larger deductions in earlier years in smaller and later years. (See pp. 4–7 of JCS–20–81.)

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3. Useful lives (Continued)								
b. Real property	*IRS guideline lives*[7]	*Method*	*Recovery period*	*Method*	*Recovery period*	*Method* [8]	*Recovery period*	*Method*
Nonresidential property	40–60 years.	150% declining balance (if new) or straight-line.	Option to use 15 or 35 years. [10 years.]	Option to use (1) accelerated method—200% declining balance, changing to straight-line or (2) straight-line. [Mandatory accelerated method—200% declining balance, changing to SYD.]	*Owner-occupied.*—Option to use present law lives or 15-year life (certain warehouses may not use the 15-year life and are treated as other nonresidential property).	150% declining balance.	20 years. [option to use 15 years.] [9]	Straight-line.
					Other nonresidential.—Option to use present law lives or 20-year life.	Straight-line.		
Low-income housing	40–45 years.	*New property.*—Straight-line, 200% declining balance, or SYD. *Used property.*—125% declining balance (if property has a remaining useful life of 20 years) or straight-line.	Option to use 15 or 35 years. [same as present law.]	Same as above for nonresidential property. [same as present law].	Option to use present law lives or 15-year life.	Straight-line.	15 years.	Straight-line.
Other residential property	40–45 years.	Same as above.	Option to use 15 or 35 years. [same as present law.]	Same as above for nonresidential property. [same as present law.]	Option to use present law lives or 20-year life.	Straight-line.	20 years. [option to use 15 years.] [9]	Straight-line.
Special rules	1. Taxpayer may use different lives for each separate component of a building, such as plumbing, wiring, etc. (component depreciation) or use a single life for the building and all components (composite depreciation).		1. Composite depreciation required.		1. Composite depreciation required.		1. Composite depreciation required.	
	2. ADR lives are prescribed for certain real property (e.g., farm buildings, theme park structures, and gas stations).		2. Real property with ADR lower limit of 10 years or less (e.g., theme parks) is in the 10-year class; other real property with prescribed ADR lives are in the 15-year class.		2. Real property with ADR lives may continue under present law.		2. Real property with ADR lives may continue under present law, but ADR variance increased from 20% to 30%.	

[7] Taxpayers often use shorter useful lives based on facts and circumstances. See Tables 2 and 3 on p. 13 for a more complete list of IRS guideline lives and average lives claimed by taxpayers.

[8] A taxpayer electing to use present law useful lives must use present law methods.

[9] If 15-year option elected, section 1245 recapture would apply (see item 8).

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4. Asset accounting	Item, group, or vintage accounts.[10]	Asset-by-asset accounts.[10]	Open accounts for personal property.[11]	No accounts required.
5. Salvage value	Property generally cannot be depreciated below estimated salvage value (salvage value limitation). For personal property other than livestock, there is no salvage value limitation if salvage value is 10% or less.	Salvage value limitation eliminated.	Salvage value limitation eliminated for personal property.	Salvage value limitation eliminated.
6. Additional first-year depreciation	Optional bonus depreciation equal to 20% of property costs up to $10,000 per taxpayer (maximum allowable—$2,000).	Present law repealed.	Present law replaced with election to deduct immediately (expense) up to $25,000 of new or used personal property. No investment credit for that property.	Present law replaced with election to deduct immediately (expense) up to $25,000 of new or used personal property. No investment credit for that property. [Present law repealed, but no special expensing provision.]
7. Gain or loss on disposition of assets	Deferral of gain of loss on "ordinary" or "normal" retirements (in general, retirements for causes, such as wear and tear or obsolescense, contemplated in determining useful life). Current recognition of gain or loss on "extraordinary" or "abnormal" retirements (in general, unanticipated dispositions, such as casualties or sales of business).	Gain or loss recognized, in general, on sale or other dispositions, including ordinary or normal retirements. Allowable depreciation deductions reduce basis for determining gain or loss on disposition.	In general, no immediate gain or loss on disposition of personal property. Amounts realized on asset dispositions reduce the recovery account balance, thus reducing future depreciation allowances. Gain recognized to extent balance in account reduced to a negative amount. For real property, same as present law.	Gain recognized on sale or other disposition of personal property equal to the applicable first-year recovery percentage times the sales price (i.e., the seller would recognize as gain the same amount the purchaser would deduct as its first-year allowance).[12] For real property, same as present law.
8. Recapture of depreciation				
a. Personal property	Gain recognized on disposition is ordinary income rather than capital gain to extent of prior depreciation taken (sec. 1245 'recapture').	Same as present law (sec. 1245 recapture).	In general, no separate recapture determination; if balance in open account is reduced below zero, entire negative amount is ordinary income rather than capital gain.	All gain is ordinary income.

[10] Under the present system, assets ordinarily must be grouped according to the year property is placed in service. Under the present system, gain or loss is not recognized, in general, on ordinary or normal retirements from the account, though gain is recognized on extraordinary or abnormal retirements. However, under the Administration bill's asset-by-asset account system, gain or loss generally must be recognized on any dispositions, including all retirements. (See item 7.)

[11] Under an open account system, the depreciable basis of all recovery property is placed into an account for that class of property without regard to the year the property is placed in service. The resulting depreciation deduction is subtracted from the account. In general, no gain or loss is recognized on disposition of assets.

[12] If property ceases to be recovery property in the taxpayer's hands because of a change in use or otherwise, the cessation is treated as a disposition at fair market value. Gain would be the first-year allowance that would be allowed in the year of disposition. Basis would be adjusted to market value.

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8. Recapture of depreciation—(Continued)				
b. Real property	Gain recognized on disposition is ordinary income rather than capital gain only to the extent prior depreciation taken exceeds what would have been allowable if straight-line had been used (sec. 1250 "recapture").	Nonresidential property.—Section 1245 recapture if accelerated method used. Section 1250 recapture applies if taxpayer elects to use straight-line. Residential property.—Section 1250 recapture. [Section 1250 recapture continues to apply to residential property, which is not included in system.]	In general, no recapture if audit-proof lives elected. Section 1245 recapture would apply for owner-occupied buildings for which the 15-year life is elected.	No recapture. [Section 1245 recapture if 15-year life for real property (other than low-income housing) is elected].
9. Flexibility	a. Option to use useful lives 20% shorter or longer than ADR midpoint lives.	a. Option to use one of two predetermined recovery periods for each class of property.	a. In general, fixed recovery periods for recovery property; election to place property in next highest class; option to use present law for real property.	a. Deduction for first-year recovery property must be taken in year allowable; fixed recovery period for real property.
	b. Option to use straight-line or accelerated, where allowed.	b. Option to use an accelerated method or straight-line.	b. Annual election to use 200%, 150%, or 100% declining balance method.	b. Fixed recovery deduction for first-year recovery property; straight-line method for real property.
	c. Required to deduct all depreciation allowable (i.e., no "banking"); net operating losses (NOL's) can be carried back 3 years and forward 7 years.	c. As under present law, no banking; NOL carryover period extended to 10 years. [Option to deduct less than all depreciation allowable and claim unused amounts in subsequent years (banking).]	c. Same as present law, i.e., no banking and 7-year NOL carryover.	c. Same as present law, i.e., no banking and 7-year NOL carryover.
	d. Investment credit can be carried back 3 years and forward 7 years.	d. Investment credit carryover period extended to 10 years. [Investment credit carryover period same as present law.]	d. Investment credit carryover period same as present law.	d. Not applicable for eligible property.
	e. Option to use an averaging convention to determine date of additions to and retirements from an account.	e. Averaging convention built into proposed rates.	e. Averaging convention applies generally as under present law.	e. A full year of depreciation for year property is placed in service is built into first-year recovery allowance.

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10. Earnings and profits Distributions to shareholders are taxable as dividends only to extent of earnings and profits. Depreciation deductions reduce earnings and profits.	Based on straight-line depreciation over useful life (including lower limit of permitted ADR lives).	Based on straight-line depreciation over extended recovery periods as set forth below: *Class* — *Extended recovery* 3-year property — 5 years. 5-year property — 12 years. 10-year real and personal property — 25 years. 15-year real property — 35 years. [Based on straight-line depreciation over recovery period.]	Based on 100% declining balance method over the recovery period.	Same as present law.
11. Depreciation of assets held outside U.S.	Accelerated methods generally allowed. No 20% variance from ADR midpoint life.	Option to use (1) the 200-percent declining balance method, changing to straight-line or (2) straight-line depreciation. *Personal property.*—Recovery allowance computed using ADR lives in effect on January 1, 1981. *Real property.*—35-year recovery period. [Treated same as other recovery property.]	Same as present law.	Same as present law.
12. Add-on minimum tax and maximum tax ***a. Assets subject to application of add-on minimum tax***	Personal property leased by individuals, subchapter S corporations, and personal holding companies; and real property.	Same as present law. [Real and personal 5-year and 10-year recovery property leased by individuals, subchapter S corporations, and personal holding companies, unless the property is manufactured by the taxpayer.]	Personal property leased by individuals, subchapter S corporations, and personal holding companies.	No provision.

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12. Add-on minimum tax and maximum tax—Continued				
b. Amount of tax preference item	Excess of allowable depreciation over amount allowable if straight-line used over useful life (ADR midpoint only).	Excess of depreciation allowed over amount allowable if straight-line were used over the following extended recovery periods: *Class* — *Extended recovery period* 3-year property — 5 years 5-year property — 8 years 10-year personal and real property — 15 years 15-year real property — 15 years [Excess of depreciation allowed over the amount allowable if straight-line depreciation used over the recovery period.]	Excess of deduction allowable over the amount allowable if declining balance rate of 80% used over recovery period.	
c. Tax preference offset for maximum tax	Amount of above tax preference item reduces amount eligible for 50% maximum tax.	No maximum tax offset because the maximum rate for all income would be 50%. [Amount of tax preference item above reduces amount eligible for 50% maximum tax.]	Tax preference item above does not reduce amount eligible for 50% maximum tax.	
13. Regular investment tax credit				
a. Amount of credit	*Estimated useful life (years)* — *Credit (%)* Less than 3 — 0 3–4 — 3⅓ 5–6 — 6⅔ 7 or more — 10	*Recovery period (years)* — *Credit (%)* 3 — 6 5 and 10 — 10	*Recovery period (years)* — *Credit (%)* 2 — 2.5 4 — 6.0 7 and 10 — 10.0	Regular investment credit repealed for eligible first-year recovery property.
b. Used property limitation	Only $100,000 of used property eligible.	Same as present law.	$150,000 of used property eligible.	
c. Recapture of credit	Credit recomputed on early disposition as if actual useful life had been used to determine amount of credit.	Credit recomputed on early disposition by allowing 2 percent credit for each year held (no recapture if property actually held for at least 5 years). [Same as ACRS, except in recomputing the credit, property held for a portion of a taxable year (other than the year of disposition) is treated as held for an entire year.]	Same as present law.	

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13. Regular investment tax credit—Continued				
d. Carryover of credit	Investment credit can be carried back 3 years and forward 7 years.	Investment credit carryover period extended to 10 years. [Investment credit carryover same as present law.]	Same as present law.	
14. At-risk limitation				
a. Depreciation	For certain taxpayers, tax losses limited depending on the activity and the extent to which the taxpayer is at risk.[13]	Same as present law.	Same as present law.	Same as present law.
b. Investment credit	No at-risk limitation.	For certain taxpayers, credit limited depending on the activity and extent to which the taxpayer is at risk. Amounts borrowed from banks, insurance companies, or savings and loan institutions are considered at risk even if the taxpayer is not personally liable to repay the debt. [Same as present law.]	Same as present law.	No special at-risk limitation, but deduction in lieu of regular credit would be included in determining if for the year there is a tax loss, which is subject to the limitation on tax losses.
15. Qualified progress expenditures				
a. Applicability	Investment tax credit (ITC) only.	ITC only.	ITC and depreciation.	Not applicable.
b. Eligibilty requirements	Property with 2-year normal construction period and 7-year useful life.	Same as present law, but no 7-year useful life requirement. [Also eliminates 2-year normal construction period requirement.]	Same as present law, except no 7-year useful life requirement.	
c. Self-constructed property	Progress expenditures allowed at time when amounts are properly chargeable to capital account.	Same as present law.	Generally same as present law.	
d. Nonself-constructed property	Progress expenditures allowed when actual payment is made (payment rule) but only to the extent of progress in construction (progress rule). Amounts borrowed from the manufacturer or supplier not taken into account as progress expenditures (borrowing rule).	Same as present law. [Progress expenditures allowed at time when actual payment is made. No borrowing or progress rules.]	Same as present law.	

[13] There is no at-risk limitation on the depreciation deduction itself. However, depreciation deductions, together with other deductions, may result in tax losses for an activity covered by the at-risk rule and, thus, there is an indirect limitation on the depreciation deduction.

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16. Rehabilitation expenditures	10% ITC for nonresidential rehabilitation.	ITC for rehabilitation expenditures as follows, but only if straight-line depreciation is elected: *Type of rehabilitation* — *ITC(%)* Nonresidential buildings 30–39 years old — 15 Nonresidential buildings 40 or more years old — 20 Residential and nonresidential certified historic structures — 25	Increases ITC from 10 to 25 percent.	Same as present law.
17. Lease financing	Under IRS guidelines, a transaction is characterized as a lease if— 1. The lessor's minimum at-risk investment in the property throughout the lease term is 20 percent of cost; 2. The lessor has a positive cash flow and a profit from the lease independent of tax benefits; 3. The lessee does not have a right to purchase the property at less than fair market value; and 4. The lessee does not have an investment in the lease and does not lend any of the purchase costs of the owner.[14]	For corporations only— (1) The minimum at-risk investment in the property would be reduced to 10 percent of cost; and (2) The lessor would be able to take into account tax benefits in making the cash-flow and profit determinations. [Same as present law.]	Same as present law.	Same as present law.

[14] See Rev. Procs. 75–21 (1975–1C.B. 715), 75–28 (1975–1C.B. 752), 76–30 (1979–2C.B. 647), and 79–48 (1979–2C.B. 549).

B. EFFECTIVE DATES

H.R. 3849 (Administration Bill) [H.R. 1053—Messrs. Jones and Conable] [1]

In general.—Applies to property placed in service after December 31, 1980.

Phase-in.—In general, not applicable. However, the most accelerated method of depreciation is not available until 1986. (See item 3a.)

Transitional used property limitation.—None.

Simplified Cost Recovery System (2–4–7–10) [2]

In general.—Applies to property placed in service after December 31, 1980.

Phase-in.—None.

Transitional used property limitation.—For taxable years beginning after 1984, property placed in service by the taxpayer before January 1, 1981, may be treated as recovery property if the property would have been recovery property if placed in service after December 31, 1980.

H.R. 3443—Mr. Shannon (First-Year Recovery System)

In general.—Applies to property placed in service after December 31, 1980.

Phase-in.—Before 1990, only the following percentage of the first-year allowance is immediately deductible:

Property place in service during:	*Portion immediately deductible is (%):*
1981	35
1982	50
1983	60
1984	70
1985	75
1986	80
1987	85
1988	90
1989	95

Portion not immediately deductible is placed in an "interest" bearing suspense account and is deducted as follows:

For years beginning in:	*Deductible portion of suspense account is (%):*
1982	25
1983	30
1984	35
1985	40
1986	45
1987	50
1988	55
1989	70
1990	100

Transitional used property limitation.—Only the following amounts of used property placed in service before 1984 are eligible:

For years beginning in:	*The limitation is:*
1980 or 1981	$100,000
1982	200,000
1983	300,000

H.R. 3500—Mr. Heftel (First-Year Recovery System)

In general.—Applies to property placed in service after December 31, 1980.

Phase-in.—

	The percentage of the first-year allowance that is deductible for the following year is:					
	1981	1982	1983	1984	1985	1986
In the case of property placed in service during:						
1981	45	14	14	14	13	----
1982		63	13	12	12	----
1983			70	15	15	----
1984				80	20	----
1985					90	10

Transitional used property limitation.—Same as H.R. 3443.

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[2] The Simplified Cost Recovery System was part of a bill reported by the Senate Finance Committee in the 96th Congress (H.R. 5829, S. Rep. No. 96–940).

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Anti-Churning rules.—To prevent the "churning" of used property solely to obtain the benefits of increased investment incentives, "churned" property would be excluded from ACRS and, thus, subject to present law rules. These anti-churning rules would apply as follows: *Personal property.*—ACRS would not apply to property in use before January 1, 1981, unless the property is transferred in a transaction in which both the owner and user (if different) change. *Real property.*—ACRS would not apply if (a) a person related to the taxpayer owned the property before January 1, 1981, or (2) the property is acquired in certain like-kind exchanges, "rollovers" of low-income housing, involuntary conversions, or repossessions, for property the taxpayer or a related person owned before January 1, 1981. *Real and personal property.*—ACRS would not apply to any property in use before January 1, 1981, if acquired by a corporation or a partnership in certain tax-free transactions.	***Anti-churning rule.***—No anti-churning rules.	***Anti-churning rule.***—To prevent the "churning" of used property solely to obtain the benefits of the increased investment incentive, the costs of churned property must be recovered under present law. These anti-churning rules would apply if after its acquisition the property is used by a person who used the property before January 1, 1981, or by a person related to that prior user. Also, the amount of used property eligible for such treatment is limited until 1984. (See transitional used property limitation above.)	***Anti-churning rules.***—Same as H.R. 3443.

C. ESTIMATED REVENUE IMPACT OF ALTERNATIVE CAPITAL COST RECOVERY PROPOSALS, 1981–1986

(Millions of Dollars)

Proposal	Calendar Years					
	1981	1982	1983	1984	1985	1986
Administration (H.R. 3849)	−5,620	−11,890	−23,436	−33,156	−47,842	−69,821
H.R. 1053	−7,176	−18,968	−32,078	−46,535	−62,057	−75,660
First-Year Cost Recovery (H.R. 3443)	−6,111	−10,068	−16,574	−22,527	−19,978	−21,651
First-Year Cost Recovery (H.R. 3500)	−6,170	−12,724	−18,006	−30,082	−51,943	−17,833
Simplified Cost Recovery [1]	−10,148	−19,680	−19,520	−18,648	−17,865	−17,826
	Fiscal Years					
	1981	1982	1983	1984	1985	1986
Administration (H.R. 3849)	−1,483	−9,471	−17,208	−27,885	−39,952	−58,131
H.R. 1053	−2,020	−14,151	−25,215	−38,977	−53,965	−68,547
First-Year Cost Recovery (H.R. 3443)	−1,557	−9,161	−13,211	−19,452	−21,329	−20,815
First-Year Cost Recovery (H.R. 3500)	−1,721	−10,427	−15,200	−23,669	−40,314	−35,922
Simplified Cost Recovery [1]	−2,777	−16,538	−19,633	−19,126	−18,297	−17,853

[1] The Simplified Cost Recovery System was part of a bill reported by the Senate Finance Committee in the 96th Congress (H.R. 5829, S. Rep. No. 96-940).

D. TABLES: ADR AND GUIDELINE LIVES FOR SELECTED ASSETS

Table 1.—ADR Useful Lives of Various Assets

Description of assets in guideline class	Asset depreciation range (in years)		
	Lower limit	Asset guideline period	Upper limit
Certain short-lived assets:			
Manufacture of glass products—special tools	2.0	2.5	3.0
Manufacture of motor vehicles—Special tools	2.5	3.0	3.5
Breeding hogs	2.5	3.0	3.5
Certain intermediate-lived assets:			
Data handling equipment except computers	5.0	6.0	7.0
Assets used in drilling of oil and gas wells	5.0	6.0	7.0
Manufacture of apparel and other finished products	7.0	9.0	11.0
Certain long-lived assets:			
Vessels, barges, tugs, and similar water transportation equipment, except those used in marine contract construction	14.5	18.0	21.5
Telephone central office equipment	16.0	20.0	24.0
Railroad hydraulic electric generating equipment	40.0	50.0	60.0

Source: Revenue Procedure 77–10, 1977–1 C.B. 548, as amended.

Table 2.—Guideline Lives for Certain Buildings Under Revenue Procedure 62–21

Type of Building	Useful life (years)
Apartments	40
Banks	50
Dwellings	45
Factories	45
Garages	45
Grain Elevators	60
Hotels	40
Loft Buildings	50
Machine Shops	45
Office Buildings	45
Stores	50
Theaters	40
Warehouses	60

Table 3.—Comparison of Guideline Lives and Lives Claimed for Certain Building Types

[In years]

Building type	Guideline lives under Revenue Procedure 62–21	Average lives claimed by taxpayers (new buildings only)	Percentage of taxpayers claiming lives shorter than guideline lives
Retail (including shopping centers)	50	36	93
Warehouses	60	37	99
Factories	45	37	77
Office buildings	45	41	91
Banks	50	43	79
Apartments	40	32	78

Source: Office of Industrial Economics, Department of the Treasury, *Business Building Statistics* (GPO, Washington, 1975).

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